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TO:	**CHAIR AND MEMBERS** **COMMUNITY AND PROTECTIVE SERVICES COMMITTEE** **MEETING ON MARCH 24, 2014**
FROM:	**SANDRA DATARS BERE,** **MANAGING DIRECTOR,** **HOUSING, SOCIAL SERVICES, AND DEARNESS HOME**
SUBJECT:	**MPAC ASSESSMENTS OF SOCIAL AND AFFORDABLE HOUSING**

RECOMMENDATION

That, on the recommendation of the Director of Housing, with the concurrence of the Managing Director of Housing, Social Services, and Dearness Home, with respect to Municipal Property Assessment Corporation (MPAC) assessments:

a) the following report regarding the impact of recent assessments on local social and affordable housing properties **BE RECEIVED** for information purposes; and

b) that Civic Administration **BE DIRECTED** to report back following a meeting with relevant provincial authorities.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

None.

BACKGROUND

Issue:
The Municipal Property Assessment Corporation (MPAC) valuates all properties in Ontario. This work is done on a four year cycle and in accordance with the *Ontario Assessment Act, 1990*. Assessments are used by municipalities in the calculation of property taxes.

Recent MPAC assessments of a number of local affordable and social housing complexes have resulted in higher than anticipated valuations. As a result, a number of these providers have contacted the City, requesting support of their individual appeals to MPAC and escalating the impacts of these increases on their projects. Similar issues have been identified in other jurisdictions across Ontario, but do not appear to yet be impacting all housing providers.

As independent corporate entities, each social and affordable housing provider must determine their desired approach to MPAC unexpectedly high assessments and pursue appeals in accordance with their interests and provincial rules.

Impact:
Most social and affordable housing is assessed by MPAC using a multi-residential (more than 7 units) rate which is based in part on the gross income potential of the associated properties and in part on neighbouring multi-residential unit assessments.

Recent communications with MPAC suggest that the higher than anticipated assessments may be as a result of MPAC considering the full market rent income potential of the housing property without consideration for binding service contracts (social housing) and encumbrance agreements (affordable housing) which limit the rental revenues of the property.

Social Housing was transferred to municipal service management in 2000 and represents rent-geared-to income units delivered across London and Middlesex and managed under service agreements with 64 subsidized non-profit or co-op housing providers. Rental rates and tenant eligibility requirements are regulated under the *Housing Services Act, 2011*. 3,282 of these units are delivered through London and Middlesex Housing Corporation (LMHC).

According to MPAC, "the 2008 current value assessment (CVA) valuation [used for social housing properties] was based on the rental returns from 2007". These would have reflected *actual* revenues including subsidized and market rents. However, it appears that the 2012 MPAC assessments valuated properties based on the gross market income *potential* without consideration for service contracts that require subsidized tenancies.

The impact of increased assessments on social housing providers varies based on their initial program operating agreement. Additional property tax costs are passed on to the City as part of legislated benchmarked funding of social housing subsidies.

In the case of LMHC, recent MPAC assessments contributed to a $674,000 or 16% increase in property tax costs. This became a factor in LMHC's 2014 municipal core funding request, which, without the assessment and tax changes, would have resulted in a budget reduction.

Affordable Housing assessments also appear to have changed since 2008, as some providers have indicated similarly higher than anticipated valuations. Affordable housing, unlike social housing, is funded through a one-time upfront contribution to the initial capital build costs. The resulting reduced mortgage savings allow for long term affordable rents at between 70% and 80% of average market rent which are secured through an agreement with the City and an associated encumbrance on the mortgage.

The impact of unanticipated high market valuation on affordable housing is significant as there is no mechanism for the providers to adjust their revenues within their municipal agreements. Rent levels are a provincial requirement of the program.

Without predictable assessments, future affordable housing developments will need to consider increased valuations in their business models. Capital incentives may need to be adjusted to ensure providers can absorb higher taxes while maintaining affordable rents and project viability. This will reduce the City's capacity to build new units.

Other social and affordable housing providers who have not identified increased assessments as an issue may not yet be aware of the impact of the revised valuations due to the four year phasing-in process used by MPAC to graduate the increase between 2013 and 2016.

In both social and affordable housing, the apparent changes in MPAC assessment practice do not appear to have been legislated or mandated through provincial policy, but rather a result of a revised assessment approach adopted by MPAC.

Next Steps:
Given the above actions and impacts, the City will escalate this matter with the Ministry of Municipal Affairs and Housing, and take the following actions:

1. Continue to encourage all social and affordable housing providers to consider their review and appeal rights related to higher than anticipated assessments;

2. Obtain the assistance of the Ministry in getting senior officials at MPAC to clarify specific details of past practice and any changes that began with the 2013 taxation year with respect to the valuation of social housing and affordable housing;

3. Request that any 2013 MPAC assessments which do not consider service agreements or encumbrances that limit their ability to charge full market rent be reconsidered for the full term of their program agreement;

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4. Request that all 2014 increases to assessments on social and affordable housing (that are being phased in as part of the MPAC process) be reversed and reassessed based on the previous 2008 process;

5. Ensure future MPAC assessments for social and affordable housing do not consider market rental rates of neighbouring properties, noting this approach can escalate assessed values, challenge the predictability of assessments, and impact the ability to achieve mixed income communities; Valuations should reflect actual rents received and revenue encumbrances in accordance with past practice; and

6. Engage provincial housing networks including the Co-operative Housing Federation (CHF), the Ontario Non-Profit Housing Association (ONPHA), the Housing Services Corporation (HSC), the Association of Municipalities of Ontario (AMO) and the Ontario Municipal Social Services Association (OMSSA) and inform them of this issue and encourage their aligned advocacy efforts to ensure the future stability and predictability of social and affordable housing assessments.

FINANCIAL IMPACT

There are no impacts to the 2014 approved Municipal Budget. The only effect of valuation changes at the time of a reassessment is to redistribute the tax levy of the City. Value changes do not increase or decrease the total tax levy of the City.

Acknowledgments:
This report has been assembled with support from the following staff and housing stakeholders:
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Greg Playford, Housing Consultant, President, Devonshire Financial;
Steve Matthew, Executive Director, London & Middlesex Housing Corporation; and
Josh Browne, Manager, Social Housing Administration.

SUBMITTED BY:	
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RECOMMENDED BY:	**CONCURRED BY:**
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